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STATE FOR EUR/CE JAMIE MOORE, COMMERCE FOR ITA/MAC SILVIA
SAVICH. PLEASE PASS TO JEFF HOVENIER AT THE NSC.

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [EINV](#) [KGHG](#) [HU](#)
SUBJECT: COMMERCE SECRETARY'S MEETING WITH HUNGARIAN PRIME
MINISTER

REF: BUDAPEST 737

11. (SBU) Summary. The U.S. Secretary of Commerce Gary Locke met with Prime Minister Gordon Bajnai on October 20 in Budapest. Expressing USG appreciation for the alignment of shared values and interests with Hungary and its support in Afghanistan, the Secretary complemented the PM for his efforts to address the current economic crisis. Bajnai noted Hungary's responsibility to share burdens in an alliance. Addressing the economic situation, he said his government has the "virtue of necessity" to take tough measures. Referencing the Climate Change conference, the PM said the EU is looking to President Obama to ensure we achieve something positive in Copenhagen. Turning to WTO negotiations, Bajnai suggested that perhaps a new category is needed for those "developing countries" such as China who use the moniker as justification for doing less. Bajnai also mentioned the Vice-President's weekend call, saying he hopes to accept the invitation to visit Washington in November or December. Finally, the Secretary raised the need to improve Hungary's business climate and a sensitive advocacy case. End summary.

HELL OF A STRUGGLE

12. (SBU) Secretary of Commerce Gary Locke, accompanied by the Charge, Commercial and Political Officers, met with Hungarian Prime Minister Gordan Bajnai in Budapest on October 20. The Secretary began the meeting by expressing USG appreciation for the relationship with Hungary, underscoring the alignment of shared values and common interests and thanking Prime Minister Bajnai for Hungary's support in Afghanistan and acceptance of a Guantanamo detainee. The Secretary complemented Bajnai for his efforts to stabilize the Hungarian economy - with much to be proud of - noting that western observers view his efforts as very positive.

13. (SBU) Responding, on Afghanistan, Bajnai said that "we have responsibility to take on burdens, not just benefits of our alliance membership." Turning to economic issues, he noted that while last year Hungary was viewed "as the next Iceland, our situation is much improved, but our efforts still require great sacrifice from our people." The PM commented that he was in France over the weekend to meet with President Sarkozy, and recently in the UK to meet with Prime Minister Brown. During both visits he said he received positive support, but remarked that addressing the economic situation "is a hell of a struggle."

ADVOCATING FOR OPEN TRADE MARKETS

14. (SBU) The Secretary went on to say that trade protectionism is not good for anyone and invites retaliation and trade wars where all sides lose. He noted the need to stimulate our domestic economies without protectionism. Bajnai, noting that 80% of Hungary's GDP comes from exports, said that Hungary is proud to have an open market. The Secretary commented that Hungary is clearly doing something right, commenting on the large amount of industrial production, such as the new Mercedes plant and other automotive production. Bajnai explained that investment in Hungary was not about cheaper labor, but the quality of the workforce, the quality highways, other infrastructure, and the country's ability to fast track decisions and decrease bureaucratic obstacles. In addition to automotive production and other high tech electronics such as Blackberries and other telecom equipment, Bajnai said Hungary is a large hub for R&D. Secretary Locke stated his belief that the key to recovery is an educated workforce, and noted that the U.S. needs to do more in this realm as part of a long-term strategy, commenting that many in the business community have an interest in high academic standards.

COPENHAGEN CLIMATE

15. (SBU) Turning to the upcoming Climate Change conference in Copenhagen, Bajnai mentioned that he met last week with the Chinese Vice-Premier, who commented that they were proud of what the Premier had offered recently at the UN. That said, Bajnai believes that the Chinese are determined to do something but still claim they "are an emerging economy" and will raise issues of development. He suggested that perhaps

we may need a new category for nations such as China, as we can't let them use the "developing country" rationale as a reason to be weak on climate change. The Secretary agreed that the U.S. must dramatically reduce greenhouse gas emissions, but China has an opportunity save the planet or be blamed for ruining the climate.

16. (SBU) Continuing, the Secretary noted that China spends USD 50 million per hour in R&D for alternative energy needs, stating that the United States cannot wait until 2050 to decrease CO2 emissions. He commented that in addition to China, countries such as India and Brazil must also move forward aggressively, and we need to find ways to help them move forward in an environmentally friendly manner. He mentioned the President's wish to provide research grants for clean energy and energy efficiency, and noted that to attract companies, it is important to have a clean environment and air.

17. (SBU) The PM expressed hope that the President will move the climate change policy forward as "the EU is holding its breath that the President will come up with something clear to help ensure that we achieve something at Copenhagen." Referencing his recent meeting with Sarkozy - who, according to the PM, pointedly emphasized that the "EU needs to carry the flag" - Bajnai said Copenhagen needs some sense of achievement or we will miss an important opportunity and the world community will be in trouble."

WTO

18. (SBU) In response to the PM's requested views on the WTO, the Secretary responded that the Doha round is very difficult but the U.S. would like it to be successful. What is needed is for more advanced developing countries to open their doors, citing Brazil, India and China as examples, suggesting that China cannot continue to say that it is still a "developing country." Bajnai concurred, noting that some members of the G20 are categorized as "still developing" and perhaps a new category is needed for them, as well.

TRANSPARENCY AND PREDICTABILITY

¶9. (SBU) In closing, the Secretary underscored the importance to investors of transparency, predictability, and the rule of law to ensure their investments are protected. Noting the PM's efforts to address these issues, the Secretary, specifically raised the Slager Radio tender (reftel), expressing hope that Bajnai will continue his efforts to deal with transparency and corruption. In response, Bajnai said that while he has no legal standing to interfere in the radio tender decision, as the governing body is not a government entity, he never-the-less is concerned and is underscoring the need for transparency with various parties involved in the decision. Continuing, the PM said he plans to present to Parliament in next two weeks a new public procurement law proposal and party financing reform legislation, using his last six months in office to push reforms, commenting that "we have the virtue of necessity."

WASHINGTON VISIT

¶10. (SBU) Bajnai also took the opportunity to mention the Vice-President's call to him on October 17, suggesting more regular contact, as well as the invitation to visit the White House. Bajnai said, that while he has no specific date yet planned, he considers November or December as most likely for his visit to Washington.

¶11. (U) The Department of Commerce clears this cable.
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